

Indonesia's XL Axiata to Shed Some Telecom Towers for \$459 Million



Mobile operator PT XL Axiata of Indonesia intends to sell some of its telecom towers to a tower operator linked to private-equity firm Carlyle Group for \$459 million, in what would be one of the country's biggest asset sales so far this year.

PT Solusi Tunas Pratama plans to buy 3,500 telecommunications towers in an all-cash deal, with an aim to complete the acquisition by the end of this year, XL Axiata and STP said Wednesday.

STP, in which Carlyle invested between \$100 million and \$150 million in October 2012, owns 2,786 telecom towers in Indonesia, making it the country's third-largest tower operator.

The sale comes as mobile operators globally are either selling or spinning off their capital-heavy tower investments in emerging markets to cut costs, instead opting to share towers by renting them from other telecom or tower companies. The acquisition of XL Axiata's towers will help STP strengthen its business in a country that has experienced a rapid increase in mobilephone usage and growth in wireless access to data services through computers and smartphones. In August, Samsung Electronics Co. said it was considering producing cellphones in Indonesia, home to about 240 million people, half of whom are under the age of 30.

XL Axiata, which is 66.5%-owned by telecom operator Axiata Group Bhd. of Kuala Lumpur, is Indonesia's second-largest mobile-phone operator by subscribers, after PT Telkomsel. The company started a sale process for its Indonesia tower business three months ago, attracting several bids ranging from Indonesia's largest telecom-infrastructure company, Tower Bersama Group, to other operators such as Protelindo, a unit of PT Sarana Menara Nusantara, and Retower, a unit of PT Centratama

Telekomunikasi Indonesia. XL Axiata had initiated the tower sale to repay some of the debt it took to acquire a smaller rival, PT Axis Telecom Indonesia, for \$865 million earlier this year.

XL Axiata has said its debt was more than twice the size of its equity in the first half of this year.

“The sale unlocks the value of a part of our tower portfolio at an attractive valuation and on competitive terms. XL [Axiata] will be using the transaction proceeds to partially deleverage,” XL Axiata Chief Executive Hasnul Suhaimi said in a written statement.

XL Axiata isn’t alone in looking to unlock value from its tower business. In July, Bharti Airtel Ltd., India’s largest cellphone company, said it had agreed to sell its tower business to Helios Tower African. In May, IHS Holdings Ltd., Africa’s largest independent mobile-infrastructure provider, completed an acquisition of 1,269 mobile-network towers from South African telecom company MTN Group Ltd.

XL Axiata, which has more than 65 million subscribers, owns about 8,000 telecom towers in Indonesia that relay radio and telecom signals in the world’s fourth-most-populous country.

J.P. Morgan and Standard Chartered Bank advised STP on the deal.

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